

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

FOOD AND AGRICULTURE

KEY INDUSTRY NETWORK

Final Recommendations to Governor Bullock

PROBLEM STATEMENT 1

Lack of In-State Meat Processing Capacity

Montana cattlemen want to establish a modern, multispecies, in-state meat processing plant to benefit agricultural producers representing the largest industry in the state. Over 95% of Montana feeder cattle production is currently shipped out-of-state without adding value. As a result, Montana is missing out on the economic impact of adding value to Montana's largest renewable resource.

Montana has roughly 11,000 beef cattle operations, with an inventory of 1.4 million beef cattle head, yet less than one percent (1%) of those cattle are processed in the state. By shipping live cattle out-of-state for finishing and processing, Montana is essentially exporting a raw material. A processing plant in the state would allow Montana to export a value-added product. A new midsized multi-species processing plant will be able to capture value from all parts of the carcass (offal, hides, bone meal, etc.) A larger midsized plant doing higher volume of Montana cattle would allow us to compete in the high quality beef market.

Another important benefit would be the ability to process multiple species in this one facility. A plant in Montana could process fed beef, cull cattle, and bison.

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There has been a growing interest in local foods, with farmers and ranchers finding new and growing markets in local restaurants, school lunch programs, and direct-to-consumer sales. As concerns over food safety and traceability grow, urban consumers are turning to their rural neighbors and looking to reinvigorate old traditions of buying local meat and produce.

The Montana brand enjoys worldwide recognition, and the state is a prime tourism destination for those wishing to experience the “last best place”. If a meat processing facility could be built in the state, it would be able to capitalize on the established brand recognition that the state already possesses and help make a Montana brand of locally raised, locally processed meat competitive in the marketplace.

The addition to an expanded finished cattle and bison feeding industry in Montana as a result of a new meat processing plant could also provide a new market for Montana grains. This could also result in an expansion of the use of state and tribally owned water with new sprinkler irrigation systems along our major rivers. Thus, state and tribally owned waters would not leave the state unused.

KIN RECOMMENDATION 1

Provide support for a major livestock processing plant, including access to supporting resources (water, easement, infrastructure, workforce, etc.)

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ECONOMIC DEVELOPMENT BENEFIT

The benefits of building a livestock processing plant in Montana and creating a Montana brand of meat include:

- Keep more dollars in the state by adding value to feeder cattle, cows, and bison
- Create jobs for Montanans
- Give ranchers a new and valuable market for their livestock by adding value
- Meet growing consumer demand for local meat products
- Create awareness of the “Montana” brand

PROBLEM STATEMENT 2

Montana Brand Not Sufficiently Integrated in Agricultural Product Marketing

“Montana” enjoys a unique, desirable brand. From our wide-open spaces, clean air and water from snowcapped peaks, our environment allows us to grow and raise some of the highest quality agricultural products in the world. To promote and expand economic opportunities, Travel Montana successfully uses Montana’s brand identity to attract over 11 million tourists annually. The Made in Montana, Grown in Montana, and Native American Made in Montana brands help businesses promote products that qualify by adding at least a 50 percent value increase to the product within the state. These branding programs provide niche markets for many businesses, but have yet to transcend into many agricultural or food products. Agency cross-collaboration and leveraging of existing Montana branding would put more money from Montana branded products into retail stores. A centralized source of information and hiring someone with extensive experience in food industry marketing would be very beneficial to agriculture businesses and business owners.

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Integrating more “Montana” branding into agricultural products grown and processed within the state will improve consumer product identity of our high-quality agricultural products for both local and nonlocal purchasers.

KIN RECOMMENDATION 2

Increase demand and use of Montana agricultural products by creating a centralized clearinghouse to share promotional and educational resources and coordinate efforts. Hire someone with extensive experience in the food industry to advise small manufacturers. With the Department of Commerce as the lead, increase cross-collaboration among state agencies to fully leverage the value of existing Montana brands.

ECONOMIC DEVELOPMENT BENEFIT

- Enhance agricultural and food products, not only within the state, but nationally and internationally
- Provide marketing resources to small businesses in Montana which may not have capacity
- Increase the marketing effectiveness of small producers leading to business retention and growth
- Improve resident awareness and pride in Montana-made products

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PROBLEM STATEMENT 3

Lack of In-State Research Capacity, Funding and Expertise

Research is critically important to agriculture. Whether it is a disease, invasive pest or weed, or varietal breeding, research is the key to finding solutions to problems facing agriculture. Montana had been a leader in research that was practical to the everyday problems facing producers. As federal funding continues to decline, supplemental funding from other sources has not filled the void. Many producers are now turning to other researchers in neighboring states and Canada for agricultural research. This is problematic because research conducted outside of the state may not replicate the growing conditions within the state. Funding limitations have also slowed the development of new plant varietal breeding specific to Montana. For example, Montana State University recently discontinued their durum breeding program and sold more than 700 development lines to a private industry. In addition, as pulse acres in the state continue to explode, the university system does not have full-time staff dedicated to breeding varieties for Montana's unique climate. By investing in agricultural research, Montana's agricultural industry will be able to adapt to disease and/or invasive pests or weed threats, which can cost the industry millions if not hundreds of millions of dollars annually, and advance Montana's reputation by meeting market demand for new varieties and agricultural products.

A related area of need is for food safety expertise, education, and support within the state. With the implementation of the FDA Food Safety Modernization Act, new organic producer requirements, other federal and state regulatory changes, and the new scientific advances in food safety methods, the creation of a Food Safety Center within the university system, providing expertise and guidance to Montana food producers.

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Having a Food Safety Center would be highly beneficial, particularly, if staffing included a Food Science expert and an information clearinghouse to inform and connect producers on food safety, regulatory, and research topics.

KIN RECOMMENDATION 3

Initiate, with Governor's support, a request of the Montana University System for an Agricultural Research and Food Safety Center; and provide adequate research monies and efficient use of funding to address Montana agricultural interest needs and research funds including:

- **New plant varietal breeding**
- **Invasive weeds and pests**
- **Feasibility of an ethanol plant**

ECONOMIC DEVELOPMENT BENEFIT

- A Montana Research Center would keep Montana producers on the cutting-edge
- The research conducted by this center would allow Montana producers to be early adapters of new improved varieties and intervene sooner to protect crops and livestock from disease, pests, and other threats – increasing profitability

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PROBLEM STATEMENT 4

Water-Use Issues Hamper Food and Agriculture Industry Development

Access to water resources can increase production yields and enhance agricultural development. Montana is a headwaters state with plentiful water resources. The state and local conservation districts could provide more clarity on water resources that are available and how to obtain them for beneficial use. New permits, change of use, and points of diversion for agriculture development are at times protested by some state agencies. Montana's water adjudication process is still not complete but is now on track to be completed. Further, the state could provide incentives to upgrade irrigation systems to more efficient technologies that consume less water.

By enhancing the use of available water resources and using existing resources more efficiently by upgrading irrigation infrastructure, agricultural producers will be able to increase yields and preserve water resources. A study conducted in 2006 by ECONorthwest, *Irrigation in Montana – Program Overview and Economic Analysis*, estimated that in the lower Yellowstone Valley non-irrigated land is valued between \$350 and \$475 per acre, while irrigated land may be valued as high as \$4,000 per acre.

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KIN RECOMMENDATION 4

Stakeholders identify and resolve state water resource issues relative to agriculture economic development by:

- Streamlining and improving new permitting and water right change process and other water issues
- Increase coordination between agencies and decrease cross-agency interference
- Opening the availability of conservation district water reservations and new water right permits where water is available
- Creating predictability in accessing water through a transparent process and an understanding of all sides of the issue

ECONOMIC DEVELOPMENT BENEFIT

- Resolving permitting issues would improve MT producers' ability to plan and maximize their water use efficiencies
- Irrigation system enhancements would allow new production

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PROBLEM STATEMENT 5

Transportation Challenges Impede Food & Agricultural Producers

Agriculture relies almost entirely on truck and rail transportation to move products and commodities to market, whether it's shipment of grain, cattle, or processed products. Excessive shipping costs are a growing problem for agriculture.

Montana is serviced by only one major railroad, Burlington Northern Santa Fe (BNSF). Montana Rail Link and the Union Pacific in the southwest part of the state provide little to no market competition for agricultural shipments. This has forced Montana producers to be price takers when shipping grain or other commodities to ports.

BNSF recently increased rates on shuttle and non-shuttle commodity shipments, a cost that is passed on to the producer. There is increasing domestic and worldwide demand for niche commodities such as lentils and organics that are shipped via intermodal containers. Montana does not have an intermodal rail yard.

Processed commodities and cattle are shipped by truck. Axle weight restrictions within and between states force shippers to load trucks at the lightest capacity restriction on the route increasing the total number of trucks needed to move commodities.

A coordinated effort by the industry and state could help the industry normalize weight restrictions, creating efficiencies for agricultural shipments. There is also a concern with federal travel time restrictions on truck drivers, which may add days to shipping routes. Farmers estimate that every three or four years their entire harvest goes to pay for shipping. By providing affordable, reliable shipping opportunities, significant economic savings could be realized.

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KIN RECOMMENDATION 5

Discuss and resolve the following agricultural transportation challenges:

- Maximize weight rates of trucks
- Develop intermodal rail service
- Provide affordable rail access and service
- Provide transportation that is reliable and efficient
- Implement a process that optimizes rail and truck agriculture product transportation

ECONOMIC BENEFITS

- Less product losses due to transportation delays
- More efficiencies by maximizing loads
- Lower costs to producers increasing profitability
- Better ability for producers to plan